



## **CITY MANAGER'S 6-POINT PLAN OF ACTION**

### **Point 1: Recommended Revisions to the 10-Year Capital Projects Plan**

## **Executive Summary**

This is the first in a series of planned special reports that will be prepared on the specific budget strategies described in the City Manager's 6-Point Plan of Action to the City's budget crisis. This report addresses the City's 10-Year Capital Projects Plan.

The 6-Point Plan describes steps that we will take to resolve an \$11 million gap between expenses and revenues in the City's General Fund. This gap may increase if the vehicle license fee backfill revenues are cut as Governor Gray Davis has proposed, or if local economic conditions fail to improve and City revenues do not meet projections. The 6-Point Plan provides a measured, phased approach for reducing the size of City government in Sunnyvale, while using all the tools that are available to the City to reduce the negative aspects this reduction will have on our community and our workforce. The plan allows for the responsible use of cash reserves and time to cushion the reduction of services, levels of service, and reshaping the City's workforce during the current and the next two fiscal years.

The 6-Point Plan calls for staff to re-examine the City's 10-Year Capital Projects Plan to identify future projects that could be deleted or revised, or projects currently funded that could be suspended. Staff has completed this re-examination for all non-utility funded projects. (The utility projects will be reviewed separately as part of the rate setting process.) The report and attachments describe revisions to the 10-Year Plan that are being recommended by the City Manager. The savings generated by these revisions are designed to reduce the \$11 million gap in the General Fund, either by dropping selected capital projects, reducing General Fund contributions to selected projects, or reducing on-going operating costs generated by existing or new capital projects.

The report is organized into four sections. They are:

- **Background:** This section describes the 10-Year Capital Projects Plan, key funding sources for capital projects, and the process used by staff to update the plan every two years.
- **Recommended Revised 10-Year Plan:** This section describes revisions to the plan by fund, and examines six specific projects that require preliminary policy direction from the City Council at this time.
- **Planned Approach for Public Participation:** This section outlines a series of Council workshops and special meetings where revisions to the current 10-Year Plan will be presented, with opportunities for residents, business interests, and neighborhood and community groups to comment.
- **Recommendation:** This section contains specific recommendations from the City Manager that require preliminary policy direction from the City Council.

These directions will allow staff to incorporate the proposed recommendations, with any desired revisions, into the City Manager's recommended FY 2003/2004 budget.

The proposed revisions to the 10-Year Plan will generate \$20,096,180 in one-time savings, and \$6,905,981 in on-going operating cost savings over 20 years. Combined, the savings from the City Manager's recommended revisions will reduce the \$11 million gap between expenses and revenues in the General Fund by approximately \$2 million. Both the one-time and on-going savings will be applied towards the \$11 million gap between revenues and expenses in the General Fund. Both one-time savings and on going operating cost savings will be reflected in the City Manager's recommended budget reductions to the capital plan. These savings offer an important first step towards a structural solution for the General Fund.

## **Background**

### **I. Overview of the Capital Projects Planning Process**

The 10-Year Projects Plan is an integral element of Sunnyvale's Planning and Management System (PAMS). The current plan contains a complete inventory of all infrastructure, capital, special, and outside group funding projects that the City plans to construct and/or provide for during the next 10 years. Four types of projects are included in the plan:

- Capital projects: these projects include major improvements, construction, or acquisition of major assets such as the new Senior Center, construction of a new traffic signal, or replacing a road;
- Infrastructure projects: these projects maintain the long term integrity of the City's various infrastructure systems, such as replacement of water lines, replacement of a building's roof or HVAC system, or renovation of a park;
- Special projects: these one-time projects address a significant community need or problem, such as the Moffett Park Specific Plan or updating a specific General Plan sub-element. These projects are funded through the projects budget to eliminate the impact that such costs would have on the operating budget; and
- Outside Group Funding projects: these projects provide City funds to designated community-based organizations that supply programs or services to local residents, such as Second Harvest Food Bank or Sunnyvale Community Services.

The Adopted Budget and Resource Allocation Plan contains an information sheet for each project that is included in the 10-Year Plan. Each information sheet provides a brief project overview, describes the project's link to an established service level, outlines the total project construction costs and operating costs annually for the next 10 years, lists the funding source for construction and operating expenses, and ties the project to a General Plan element, sub-element, and goals.

The Projects portion of the City budget is reviewed and approved annually by the City Council. As part of the two-year projects budget, City staff and the City Council focus closely on the Projects budget every other year, with major modifications, revisions, or additions to the Projects budget recommended at that time. An individual department director may suggest that a new project be added to the Projects budget, or that an existing project be revised. The Project Review Committee evaluates proposed new projects or modifications to existing projects. This committee is made up of the Public Works Director, the Parks and Recreation Director, the Community Development Director, the Finance Director, and staff professionals from several departments who are involved in

construction management or coordinating activities. This committee reviews project proposals that have been submitted, evaluates and prioritizes the proposals, and makes recommendations to the City Manager. The City Manager considers the committee's recommendations, and includes those projects that he supports in the annual City Manager's recommended budget. The City Council provides policy direction, and approves all new projects and modifications to existing projects, in approving the budget in June each year.

The current 10-Year Plan contained in the FY 2002/2003 budget includes a total of 350 projects, totaling \$176 million for construction and on-going operating expenses. During this review process, staff examined 288 existing and new non-utility funded projects. Individual projects are funded through various sources. For example:

- General Fund: these funds come from a wide variety of sources, including property taxes, fees and charges, and state funding. Projects funded through the General Fund can include capital projects such as the new senior center, infrastructure projects such as the traffic signal controller replacement, special projects such as several Downtown Redevelopment projects, and outside group funding such as support for Junior Achievement Sunnyvale.
- Housing Mitigation Fees: these funds are provided by property owners and developers in lieu of creating affordable housing units when new residential properties are developed or existing residential properties are redeveloped. Projects funded are generally special projects, such as the housing assistance for teachers and City employees program and the below market rate unit acquisition program.
- Community Development Block Grant (CDBG): these funds are provided by the Federal Government to support housing and other eligible public service efforts at the local level. Projects funded are generally special and outside group funding projects, such as the City's housing rehabilitation program, outreach paratransit fare subsidy program, retrofitting curbs to meet requirements set by the Americans with Disabilities Act, and support network for battered women.
- Asset Forfeiture Revenues: these funds are generated through the liquidation of assets obtained from individuals who have been convicted of certain crimes. The use of these funds is extremely limited. In general, they may be used for special projects that supplement rather than supplant police services.
- Gas Tax Revenues: these funds come from the state, and are generated by highway users taxes on fuel used to propel a motor vehicle. The use of these funds is restricted to improvement, maintenance or operation of public streets and highways or mass transit. Examples of projects funded include

the Lockheed Way and Moffett Park Drive traffic signal and the transportation model upgrade.

- State Traffic Congestion Relief Program: these funds come from the State portion of sales tax on gasoline sales under AB 2928 adopted in FY 2000/2001. These monies are earmarked for preservation, maintenance and rehabilitation of local street and road systems. Projects have included the Homestead/Belleville traffic signal and El Camino Real left turn pockets. Currently, the State has suspended sending these funds to cities and counties because of the budget crisis, and the Governor's proposed budget eliminates this source of capital.
- Traffic Mitigation Fees: these funds are levied on specific new or redevelopment projects to mitigate cumulative impacts of the Land Use and Transportation Element of the General Plan. Funds need to be used for traffic-related projects at or near the specific new or redevelopment project, such as intersection improvements at Washington Avenue and Mathilda Avenue, or for major Citywide transportation initiatives.
- Park Dedication Fees: these funds are collected from developers of multi-family housing that do not dedicate land for use as parks. Use of these funds is tied to park and recreation projects within a pre-determined geographic distance to the new or redeveloped residential project or for projects that have a Citywide benefit. Projects are generally capital or infrastructure projects such as the Fair Oaks skateboard park or improvements to the playground at Ortega Park.
- Measure B Pavement Management Program: these funds are passed through the Valley Transportation Authority (VTA), and are generated from the Santa Clara County 1/2-cent sales tax measure. Funds are used for capital projects that address street and road maintenance needs, such as repaving projects for Mathilda Avenue between Maude and San Aleso and Sunnyvale Saratoga Road between Homestead and Fremont.
- State/Federal/Regional/County Grant Programs: these funds come from various grant programs offered by federal, state, regional, and county agencies. They can be used to fund capital projects such as the Evelyn Avenue bike lane project and special projects such as the library foundation grant program.
- Developer Contributions: these funds are generated by new development or redevelopment projects, and are used to fund specific capital or special projects such as segments of the San Francisco Bay Trail or the Blair Avenue Area traffic calming study.

Funding from the General Fund has the most flexibility in paying for the various types of projects included in the 10-Year Plan. Funding from other sources is

more restricted. Grant funding is probably the least flexible; these funds can only be used for the specific project(s) for which the grant was awarded.

## II. Capital Projects and the City's Budget Crisis

On January 28<sup>th</sup>, the City Manager presented a 6-Point Plan of Action for addressing the City's budget crisis. This plan described the scope and nature of the budget crisis, presented six budget strategies to resolve the budget crisis, outlined key roles for City Council, City staff, and the community, and set out an implementation timetable. Through this plan, the budget crisis can be addressed through a measured, phased approach during the next three fiscal years. The budget crisis does not have to be solved by next fiscal year, but it does need to be addressed now while we have the time to take planned, measured steps. The plan calls for a systematic reduction in the size of City government during the next three fiscal years. The \$11 million gap between revenues and expenses in the General Fund (assuming that proposed state funding reductions do not go into effect) will be closed as follows:

- \$4.5 million in cost savings and/or revenue increases in FY 2003/2004;
- an additional \$4.5 million in cost savings and/or revenue increases in FY 2004/2005; and
- an additional \$2.0 million in cost savings and/or revenue increases in FY 2005/2006.

Point 1 in the 6-Point Plan calls for staff to review the existing 10-Year Capital Projects Plan to determine whether projects should be suspended, delayed, or dropped. These actions are designed to produce two specific results.

First, any General Fund project deleted or funding reduced can be used to close the \$11 million gap between revenues and expenses. This includes projects in funds that are supported by or work in tandem with the General Fund, such as the Gas Tax Fund or the Capital Projects Fund. Dropping capital projects will not avoid having to reduce the size of City government in Sunnyvale, or reducing the size of the City's workforce. Rather, it will minimize the need for large-scale reductions in force or layoffs.

Second, some projects include on-going operational costs. When these projects are dropped from the plan, these operational costs can be eliminated from the General Fund. This will directly reduce the size of the \$11 million gap in the General Fund. On the other hand, adding new or increasing operational costs for existing projects will only make it more difficult to meet the spending reduction targets that have been set for the next three fiscal years.

The City Manager used four guidelines or criteria in deciding whether to recommend that a specific project remain in the 10-Year Plan, be dropped from the plan, or retained but reduced in funding. The same criteria or guidelines

were used in deciding to add new projects, or to increase funding for existing projects.

- First, projects were retained in the plan (at either full or reduced funding levels) if they contributed to preserving the integrity of the City's existing infrastructure systems. It's vital to insure that the City's infrastructure systems, located below ground (utility systems), at ground (streets and roadways), and building improvements (Civic Center complex) are maintained at sufficient levels so that they can be useful for their full life cycles.
- Second, projects were retained at either full or partial funding if they contribute to resolving a life safety issue or problem. For example, the installation of sidewalk, curb, and gutter from Mathilda Avenue to the Tennis Center was retained because it improves access for pedestrians to and from this facility.
- Third, projects were retained at full or partial funding if the City's cost of the project is leveraging outside funding from a governmental agency. For example, a \$3.3 million match from the City for the Mathilda Avenue Overpass Improvement project will generate almost \$16 million from outside sources.
- Fourth, projects were retained if they were currently under construction, are expected to be completed this fiscal year, or suspending construction work now would jeopardize the integrity of the project.

The City Manager recommended retaining projects that met one or more of these guidelines or criteria.

It's important to restate that reductions to the capital plan can contribute to resolving the budget crisis. They cannot provide the complete solution, since the \$11 million gap in the General Fund represents a structural imbalance between expenses and revenues. However, the combined savings from deleted capital projects, along with avoided new operational costs, can be used over a period of years to reduce the gap.

Likewise, deferring a project to later years in the 10-Year plan provides little benefit. Since the City budgets on a long-term basis, and the capital projects plan covers a 10-year period, deferring a project will only produce increased interest earnings since the money dedicated to a deferred project will be held and invested, rather than spent.

### **Recommended Revised 10-Year Capital Plan**

#### **I. Summary of Recommended Revisions to the 10-Year Plan**



Staff has reviewed all the projects included in the current, adopted 10-Year Capital Projects Plan (except projects funded by utilities). Additionally, all new projects that have been proposed for FY 2003/2004 and following years have been reviewed and prioritized. The City Managers recommended revisions to the current, adopted plan and his proposed new projects are contained and described in Attachment A to this report entitled: "FY 2003/2004 Recommended 10-Year Capital Projects Plan."

Normally, the City Council first reviews the recommended plan in May as part of the City Manager's Recommended Annual Budget. However, as described in the City Manager's 6-Point Plan of Action, the budget crisis requires that we present key features or elements of the budget earlier than normal for preliminary policy direction. This approach will allow the City Council to provide deliberate, thoughtful policy direction on key budget elements so staff can take appropriate follow up action, rather than trying to provide policy direction on all issues at one time.

Attachment A lists all projects included in the recommended capital plan, organized by fund. The information provided for each project is described below:

- Project Number: each project is assigned a specific identification number. New projects are shown as "new" with no number yet assigned.
- Name: each project is named to describe the project's overall intent
- Department: this describes the department that has primary oversight for the project
- City Manager Recommendation: this describes the City Manager's recommendation for this project. "N" refers to deleting the project; "Y" refers to continuing the project at current or a changed funding level
- City Manager Comments: this provides any comments to help explain the project's status, and why it has been recommended to be retained, retained with changed funding, or deleted from the plan
- Funding Source: this describes the source(s) that will be used to pay for construction costs, on-going operating costs, or both. Many projects have multiple funding sources that will appear on separate lines.
- FY 02/03 Revised Budget: this describes the amount of money that has been budgeted for the project for the current fiscal year
- FY 03/04-FY 12/13: this describes the amount of money that will be spent each year on the project for the next 10 years
- FY 02/03-FY 12/13: this describes the total costs of the project for the current 10-Year plan
- FY 02/03-FY 12/13: this describes the total savings that would be generated if the funding level for the project is reduced or if the project is dropped.

Within each fund, projects are separated into categories of "capital", "special", or "outside funding." In each category, those that are recommended to be deleted are listed first. Projects that are recommended to be retained at either current or changed funding levels are listed next. The level of reduced funding (if

recommended) is reflected as a negative number in a separate line for the project and described in the comment section. Projects that are included in the current, approved plan, but unfunded at this time are listed next. New projects that have been proposed for FY 2003/2004 are listed throughout, depending on whether they are recommended for funding or not, and are shaded for ease of identification. If a project has on-going, operating costs, these costs are listed on the line immediately under the project (refer to project #6, Library Automation Project on page 1 as an example). Additional revenues associated with a particular project are also listed on a line below the project. Total savings by fund for the City Manager's recommendation are listed at the bottom of each category.

As indicated earlier, Attachment A includes projects for all funds except those paid for by the utility funds. Certain funds included in the attachment contain dedicated revenues that can only be used for specific types of projects. An example of this is the Housing Mitigation Fund, which is restricted to housing-related projects. In order to identify the full impact of reductions and changes to the 10-Year Projects Plan on the General Fund, it is necessary to focus on projects in all funds that directly affect the General Fund. The following summary of the City Manager's recommended revisions to the 10-Year Capital Projects Plan identifies potential cost savings by each of these funds.

FUND	PROJECT SAVINGS/ (INCREASES)*	OPERATING SAVINGS/ (INCREASES)*	TOTAL
General Fund	\$5,241,085	\$5,000,721	\$10,241,806
Gas Tax Fund	\$5,813,312	\$881,349	\$ 6,694,661
Youth & N'hood Services Fund	\$397,726	\$440,369	\$838,095
Capital Projects Fund - General	\$2,883,131	\$1,024,216	\$3,907,347
Capital Projects Fund – Gas Tax	\$3,847,973		\$3,847,973
General Services Fund	(\$358,296)	(\$440,674)	(\$798,970)
Infrastructure Fund - General	\$2,271,250		\$2,271,250
TOTAL	\$20,096,180	\$6,905,981	\$27,002,161
*Increases shown in brackets			

As shown in the table above, the total savings generated by the recommended revisions to the 10-Year Projects Plan is \$27 million. Operating savings of \$6.9 million will be ongoing and therefore will reduce the \$11 million gap by \$236,000 annually. Construction savings are one-time; when applied to the 20-year long-term financial plan and levelized, they will reduce the gap by an additional \$1 million.

The recommended revisions to the projects plan reflected above cover the first ten years of the long term financial plan. During the second ten years of the financial plan, capital projects expenditures in the amount of approximately \$750,000 per year for the General Fund and \$700,000 for the Gas Tax Fund are included. These expenditures are not identified to specific projects, but rather are intended to provide funds for future needs.

Because the budget crisis has caused us to recommend reductions to the scope and size of the projects plan, we are also recommending that the second ten years of the plan reflect a similar reduction. Therefore, we are suggesting that the amounts programmed in the General Fund and Gas Tax Fund each year for years 11 through 20 be reduced to \$250,000 in the former and \$200,000 in the latter. When applied to the 20-year long-term financial plan and leveled, this will reduce the \$11 million gap by an additional \$311,452 annually.

## II. Specific Capital Projects

There are six specific capital projects that may require preliminary policy direction from the City Council at this time. Policy direction will allow staff to take action on those projects where work is scheduled for this fiscal year, or for staff to complete work in order to incorporate the revised project into the recommended FY 2003/2004 10-Year Capital Projects Plan.

### A. Downtown Plaza Park

The downtown plaza is a key component of the City downtown redevelopment effort. The 1.6 acre plaza will be located on top of the recently completed underground parking facilities located adjacent to the Mozart office building complex. Staff has been working with a consultant to complete project design and drawings. At the February 4, 2003 City Council meeting, staff reported that we had not been able to reach agreement with Devcon Construction Inc. on a not-to-exceed cost figure to allow Devcon to build this project. City Council directed staff to discontinue negotiations with the company, and decided to consider construction options for the plaza at the same time staff presented the revised 10-Year plan for preliminary policy direction. Currently, a total of \$6,061,700 has been allocated to this project, from the following sources:

• Park Dedication Fees Transfer:	\$2,725,046
• Mozart Land Sales Proceeds:	\$1,000,000
• Proposition 40 Revenues:	\$ 487,000
• Fair Oaks Industrial Park Rental Revenues:	\$1,250,000
• Undetermined Additional Funding:	\$ 599,654
Total:	\$6,061,700

Only the Mozart revenues are dedicated exclusively to this project. The Park Dedication Fees and Proposition 40 revenues could be used for other eligible

park projects, and the incremental revenues from Fair Oaks Industrial Park rents could be used for any capital or operating purpose. There are currently \$4.038 million available for this project. This reflects reductions for the contract expenses with Amphion, \$599,654 in project costs that were unfunded, a \$487,000 reduction in available funding attributed to Proposition 40 funding (given the uncertainty of these funds), and staff time and other operating expenses charged to this project.

Staff is presenting four (4) construction options for policy direction. They are:

Original Council Approved Plaza

This option would build the downtown plaza park at one time, and include all amenities that have been previously approved by City Council, including:

- Central Arbor with Lighting
- Decorative Granite & Concrete Banding at Paved Surfaces
- Raised Amphitheater Seating Walls & Raised Stage
- Scored Concrete Labyrinth
- Landscape Areas: Trees, Lawn, Shrubs & Groundcover
- Garbage/Recycling/Ash Receptacles, Benches, & Bike Racks
- Decorative Light Fixtures
- Irrigation, Waterproofing & Drainage
- 1% Public Art
- Temporary Treatment for Future Overlook Improvements
- Public Sidewalk Improvements around Plaza
- Public Telephone, Code Blue Boxes & Signage
- Elevator, Stair, Vent Cladding
- Green Screen along Southwestern Plaza Edge
- Central Fountain
- Overlook Feature (Restrooms & Pump Room)

**Tier “1” Additive Alternatives:**

- #1 Enhanced Feature Lighting
- #2 Interactive Jump-Jet Fountain
- #3 Enhanced Labyrinth
- #4 Enhanced Paving
- #5 Up-Sizing Plant Materials

The Tier “1” amenities would be included as add alternatives; Council could decide to add these features to the project depending on costs.

The project cost (including design and construction) is estimated at \$5,926,755, which exceeds available funding by \$1.8 million. If Council selects this option, Council would need to identify funding from other eligible capital projects, or other funding sources outside of the 10-Year plan, to make up the difference. Annual operating costs for this option would be \$150,000. This would include

grass and landscape maintenance, trash and litter removal, graffiti and vandalism abatement measures, operations and maintenance of water features, and walkway and concrete structure maintenance. Neither site programming expenses (concerts, outdoor performances, etc.) nor estimated operating costs have been included in future City budgets and will add to the overall funding gap to be addressed.

#### Alternative "A" Plaza Project

This option would provide a "bare bones", primarily grassed open space treatment for the downtown park plaza. It would allow current fences to be removed, and at-grade improvements to be constructed. Amenities would be limited to grass sod, tree planting on the plaza's borders with Evelyn Avenue, Frances Street and Taaffe Street, some landscaping, shrubs, and ground cover, decomposed Granite paths, benches, garbage/recycling/trash bins, and bike racks, irrigation, waterproofing and drainage, public sidewalk improvements around the Plaza, and security lighting. Future improvements would require removal and replacement of most of these features. This option would cost an estimated \$1,287,350 for design and construction. Annual operating expenses would be \$43,200, and would cover grass maintenance, litter and trash removal, and walkway maintenance. Additional monies will need to be included in future City budgets to pay for site programming expenses and operating expenses, and will add to the overall funding gap to be addressed.

#### Alternative "B" Plaza Project

This option would build the downtown plaza park with some amenities now, and include the necessary infrastructure so that additional amenities could be constructed in the future. Amenities would include:

- Decorative Granite & Concrete Banding at Paved Surfaces
- Raised Amphitheater Seating Walls & Raised Stage
- Scored Concrete Labyrinth
- Landscape Areas: Trees, Lawn, Shrubs & Groundcover
- Garbage/Recycling/Ash Receptacles, Benches, & Bike Racks
- Decorative Light Fixtures
- Irrigation, Waterproofing & Drainage
- 1% Public Art
- Temporary Treatment at Future Overlook Site: Lawn Area and Seatwalls
- Public Sidewalk Improvements around Plaza
- Public Telephone, Code Blue Boxes & Signage

#### **Additive Alternatives:**

- #1 Central Arbor with Lighting
- #2 Elevator, Stair, Vent Cladding
- #3 Green Screen along Southwestern Plaza Edge
- #4 Up-Sizing Plant Materials

**Future Phases (Not Included in Alternative "B"):**

- Fountains (Central Fountain, Jump-Jet Fountain, Water Wall)
- Overlook Feature (Restrooms, Pump Room)
- Enhanced Lighting

Additional amenities would be included as add alternatives; Council could decide to add these features to the project depending on costs.

Future construction would use the facility improvements initially built, with minimum need to tear out and replace the amenities that are originally built. This option would allow for phased construction so that a more complete downtown plaza park would be built over time when funding is available. This option could be built for an estimated \$4,038,558, or within the available resources for this project. Operational costs are estimated at \$79,700 per year. Operational services would include grass and landscape maintenance, trash and litter removal, graffiti and vandalism abatement measures, limited water treatment operations and maintenance, and walkway/concrete structure maintenance. As with the other options, site programming and operating expenses will need to be added to future City budgets, and will add to the overall funding gap to be addressed.

**Alternative "C" Plaza Project**

This option is similar to Option "B". However, the overlook feature structure would be included, which would provide the needed structure to install utilities for a future restroom facility. No option includes an actual restroom at this time. In addition, the complete project would be built, using downgraded materials. Amenities would include:

- Concrete Banding & Paving & Raised Stage
- Decomposed Granite for Terrace Surface
- Raised Amphitheater Seating Walls
- Scored Concrete Labyrinth
- Overlook Feature Structure (no restrooms/pump room)
- Landscape Areas: Trees, Lawn, Shrubs & Groundcover
- Garbage/Recycling/Ash Receptacles, Benches, & Bike Racks
- Decorative Light Fixtures
- Irrigation, Waterproofing & Drainage
- 1% Public Art
- Temporary Treatment for Future Overlook Improvements
- Public Sidewalk Improvements around Plaza
- Public Telephone, Code Blue Boxes & Signage

**Additive Alternatives:**

#1 Central Arbor with Lighting

#2 Elevator, Stair, Vent Cladding

- #3 Green Screen along Southwestern Plaza Edge
- #4 Up-Sizing Plant Materials

**Future Phases (Not Included I Alternative “C”):**

- Fountains (Central Fountain, Jump-Jet Fountain, Water Wall)
- Overlook Feature (Restrooms, Pump Room)
- Enhanced Lighting

This option could be built for an estimated \$5,131,352, or \$1.09 million more than the available resources for this project. Operational costs are estimated at \$113,700 per year. Operational services would include grass and landscape maintenance, trash and litter removal, graffiti and vandalism abatement measures, limited water treatment operations and maintenance, and walkway/concrete structure maintenance. As with the other options, site programming and operating expenses will need to be added to future City budgets, and will add to the overall funding gap to be addressed.

The City Manager recommends the Alternative "B" Plaza project option. This would allow for the plaza to be initially built with some of the amenities preferred by the community, within available budget resources, and attempting to minimize annual operating expenses. It would also allow for future improvements to be built as additions to the plaza without removing and replacing the initial improvements. Attachment B entitled "Downtown Plaza" provides additional information regarding each construction option. Attachments C, D, E, and F provide a conceptual design for each option.

**B. Animal Control Project**

This project would provide for animal sheltering services on a long-term basis. In the past, the City contracted with the Humane Society of Santa Clara Valley to shelter stray animals picked up by the City's animal control or public safety officers. The “Hayden Bill” increased the holding time for owner surrendered animals at sheltering facilities, which increased the space needed at the Humane Society's shelter facility. Based on preliminary information on the effects of the Hayden Bill, the Humane Society informed the cities that had been contracting with them, including Sunnyvale, that they would need to find an alternative shelter to meet their long-term needs. The Silicon Valley Animal Control Authority (SVACA) was formed to provide animal field services for six cities and to design, construct, and provide animal sheltering services for seven cities, including Sunnyvale. Currently, Sunnyvale pays SVACA only for animal sheltering services, which are provided at the Humane Society facility until a SVACA facility is constructed or an alternative is found. Construction and operational costs for the SVACA facility exceed initial estimates, which prompted Sunnyvale and Cupertino to explore other animal sheltering alternatives. Regardless of the option selected for long-term sheltering services, the City will continue to respond to calls for animal control services.

Presently, two options exist for animal sheltering services. Both options were presented in detail to the City Council at its February 25, 2003 study session.

#### SVACA-Provided Animal Sheltering Services

This option would continue the City's participation in SVACA. The current, approved 10-Year Plan includes \$2,201,319 in General Fund monies to pay for Sunnyvale's portion of building a new animal sheltering facility. On-going operating costs are included in the Public Safety Department's Animal Control Program in the amount of \$398,000. The current SVACA option would require an estimated \$2.7 million for construction costs; this is approximately \$450,000 more than the City has budgeted. Annual operating costs are currently \$320,000, but have been higher in the prior years. It is unknown at this time what the operating costs for next fiscal year will be since SVACA has just begun its budget process. First year operating costs when SVACA has a new building are unknown. This option would provide a higher level of animal sheltering services than the City currently provides. The City Council will need to decide if it wants to increase the level of service for animal sheltering services to this level.

At this time, SVACA is pursuing alternatives to constructing its new facility. It is also considering ways to reduce the cost of the proposed facility, and on-going operating costs. SVACA is now also considering entering into a long-term contract with the Humane Society to provide animal sheltering facilities. The SVACA Board has given its general manager until September 30, 2003 to pursue all of its shelter options, and to present findings to the member cities. This will allow SVACA staff time to complete its evaluation of alternative approaches with the goal to have a lower cost plan available than what is currently proposed. However, there is no indication that SVACA has lifted its March 31<sup>st</sup> deadline for cities to inform the agency of their decisions not to be a participant in the upcoming fiscal year. Therefore, we may need to make a declaration of our participation by mid-March.

#### City of Palo Alto-Provided Animal Sheltering Services

Through this option, the City would contract with the City of Palo Alto for use of its animal sheltering facility on a long-term basis. For the short-term (through FY 2005/2006), sheltering services would be provided by the Humane Society. The Palo Alto option would require \$1.1 million for one-time construction costs to expand the existing facility. Annual operating costs would be about \$324,000 for the first year of operations and one-time start up costs, and \$251,000 per year on a continuing basis. Actual operating costs would be based on the number of Sunnyvale animals compared to the total number of animals housed at the shelter; future rates per animal would be increased based on the annual consumer price (CPI). The actual percentage would be defined in the written service agreement with Palo Alto. Both the one-time cost and the annual operating cost are less than funds included in the 10-Year Plan for construction costs and in the Animal Control Program for on-going operating costs. This



option would provide a service level that is equal to or higher than the current level of services for animal sheltering provided by the City.

The Palo Alto City Manager has indicated that the city will keep its proposal on the table for the immediate future. However, he will be providing a deadline when the Sunnyvale City Council will need to make a decision so that Palo Alto can move forward with its budgeting and financial planning efforts this year. It is expected that the date will be in May 2003.

As you can see, this project remains very fluid. The cost for the SVACA option could decrease as the agency works to reduce its capital and on-going costs. Another option that involves dealing directly with the Humane Society with or without SVACA could emerge. Given the uncertainties at this time, and the requested September 30 deadline by SVACA, the City Manager recommends the 10-Year Capital Plan reflect a total of \$1.1 million for one-time capital costs. Operating costs would be \$151,000 for FY 2003/2004 through FY 2005/2006, if the City contracted directly with the Humane Society, depending upon the number of animals sheltered. Operating costs would increase to \$324,000 for FY 2006/2007, the initial year of the Palo Alto proposal, and fall to \$251,000 for FY 2007/2008. For the following years, operating costs would increase by the CPI.

This approach will allow the 10-Year Plan to reflect the lowest, currently known costs for animal sheltering services that at a minimum meets our current level of service. If the cost of the option that is ultimately selected exceeds funding available in the 10-Year Plan, the City Council can provide policy direction as to what approved capital projects should be dropped, or where additional funds to make up the difference can be secured.

#### C. Outside Group Funding

The City provides funding to a total of 24 social service agencies and community groups. These outside groups provide a wide range of services and programs to individuals, families, and neighborhood groups within Sunnyvale. Funding for outside groups comes primarily from two sources:

- General Fund: this fund provides a total of \$145,462 in FY 2002/2003 to nine outside groups. Approximately \$131,000 is included annually in the 10-Year plan for long-term budgeting purposes.
- Community Development Block Grant Fund: this fund provides a total of \$302,622 in FY 2002/2003 to 15 outside groups. Unlike General Fund resources, CDBG funding can be used only for projects that meet requirements and eligibility standards established by the Federal government. These funds are much less flexible than General Fund resources.

Other cities and counties in California are eliminating or significantly reducing the funding that they provide to outside groups. Their budget problems are either greater than ours, or they have less time and/or cash reserves available to solve their budget problems.

The City Manager recommends that the City continue funding for Human Services Groups including Junior Achievement, but at reduced levels. It is recommended that the total annual funding allocation be reduced by 25%. In addition, for long-term budgeting purposes, this total allocation should remain constant, rather than being increased annually by the estimated consumer price index. Through this approach, outside groups that rely on the City for financial support would continue to receive future support, but it may be at a reduced level. This recognizes that they provide valuable services and programs, and that their funding from non-City sources may also have been reduced. At the same time, the 25% reduction to the overall allocation would reflect the same percentage reduction that the City Manager has asked departments to prepare for his consideration. In this way, both outside groups and the organization would be treated as fairly as possible.

Currently, the City Council awards grants to outside agencies annually. Council makes individual cash grant awards, based on applications submitted by outside groups, the agency or groups' past performance, staff analysis, and recommendations by the Housing and Human Services Commission. This approach would continue, which gives Council the flexibility to award grants at funding levels it decides.

#### D. Mary Avenue Route 280 Bicycle Footbridge

This project involves construction of a bicycle and pedestrian footbridge connecting Mary Avenue in Sunnyvale and Mary Avenue in Cupertino over Interstate 280. The City of Cupertino will construct the project. Total project costs are estimated at \$6.7 million, with the Federal and State government paying for most of the project's costs. By Council policy direction, Sunnyvale has agreed to provide \$110,000 to recognize the increased project costs resulting from mitigation measures to address concerns raised by Sunnyvale residents. The City of Cupertino's cost for the project is estimated at \$745,000.

The City Manager received an email from the Cupertino City Manager indicating that Cupertino plans to move ahead with this project. However, he also indicated that it is unclear whether funding from key sources (State, Valley Transportation Authority) remains in place for this project.

Based on this updated information, the City Manager is recommending that this project be dropped from the 10-Year Plan. It is unclear whether either the state or the City of Cupertino will be able to provide their matches to this project.

#### E. Sunnyvale Historical Museum

The 10-Year Plan includes a capital project for the Sunnyvale Historical Museum. The City has agreed to apply for \$500,000 in State Proposition 40 grant funds to the Sunnyvale Historical Society and Museum Association to help establish the historical museum. These funds, along with additional monies from other sources, would be used to build a new, up to 6,000 square foot museum facility at Orchard Heritage Park. The facility would be developed, operated, and maintained by the museum association through a partnership agreement with the City. The City Manager recommends that this project be retained in the 10-Year Plan, and funded only if the state funding is provided, and the additional monies needed to build the facility are located and secured.

#### F. Fair Oaks Industrial Park/Morse Park Project

The current 10-Year Plan contains two projects that are directly related. They are # 29, Morse Avenue 1010-1024 and #139, Morse Avenue Neighborhood Park. The former project provides for the operation and maintenance of the Fair Oaks Industrial Park Complex owned by the City. The second project provides for construction of a new neighborhood park following closure and demolition of the Industrial Park. Staff is proposing that the neighborhood park project be deleted from the plan because demand for this park is not expected to materialize for the foreseeable future. In addition, staff is proposing that the Industrial Park remain in operation for the life of the 20-year plan. These recommendations have several financial benefits to the General Fund. First, one-time capital costs of \$412,000 will be saved. Second, on-going new operating costs of \$55,000 per year will be avoided. Finally, and perhaps most importantly, this income producing asset will continue to generate a substantial rental income to the General Fund. Benefits of this recommendation are included in the revised 10-Year Plan and total \$2,614,282. Additionally, the net revenue that will be generated in the second ten years of the long-term financial plan is approximately \$ 12 million; this new revenue, when levelized, reduces the gap by \$385,000 on an on-going basis. The City Manager is recommending that the neighborhood park project be deleted from the plan and the Industrial Park be retained and operated as a General Fund asset for the long-term financial plan.

#### **Proposed Approach for Public Participation**

It is important that Sunnyvale residents, businesses, and neighborhood and community groups have opportunities to comment on the recommended changes to the 10-Year Capital Projects Plan. Staff has developed a two-pronged approach for public participation. First, members of advisory Boards and Commissions have been invited to attend the February 26<sup>th</sup> special City Council meeting to hear the presentation of the proposed changes to the 10-Year plan. Board and commission members can discuss the recommended changes at either regularly scheduled or special meetings during March. The advisory boards and commissions can provide comments, ideas, or suggestions at future regular City Council meetings, at public hearings on the proposed FY 2003/2004 City budget, or both. This approach will allow boards and commission to become

better informed of the recommended changes to the 10-Year Plan so that they can advise the City Council on recommended revisions that are of special interest to them.

In addition, staff has scheduled a series of 11 special town hall meetings on the City's budget crisis and our response to it. Two of these meetings will address recommended changes to the 10-Year Plan. They are scheduled to be held:

- March 18, 2003, 9:00 am at Cumberland Elementary School
- March 20, 2003, 7:00 pm at Lakewood Elementary School

Both meetings will be designed for residents, business interests, and neighborhood and community groups. Background about the City's 10-Year Capital Projects Plan, and the recommended revisions to it, will be presented and discussed. The meetings will be designed to gather input, opinions, and suggestions.

Finally, the public will be encouraged to attend all special City Council meetings, and regular meetings, when budget related issues are being presented and discussed.

### **Recommendation**

The budget crisis is creating difficult times for all of us: the community, City Council, and City staff. These difficult times require that we take a different approach to developing and presenting a recommended City budget for City Council consideration and policy direction. As you know, we are in the first year of our two-year projects budget, and the second year of the operating budget. Normally, Finance Department staff along with key staff from each City department work during the first year to prepare the proposed projects budget (along with any modifications to the operating budget) for consideration to the City Council. Council first reviews the recommended City Manager's budget at the Budget Workshop in May, discusses the recommended budget at the budget public hearing in June, and adopts the budget later in June.

However, these are not normal times. We believe that it would assist the City Council in setting public policy regarding next year's budget to present and discuss the major, significant changes that are being proposed during a series of special meetings rather than only at the normal budget workshop and budget public hearings. Recommendations will be made regarding the 10-Year Projects Plan, rental rate schedules and formulas, in-lieu fees and inter-fund transfers, tax and fee increases, and service and service level reductions at these special meetings. It is anticipated that City Council will provide preliminary policy direction at these meetings on the recommendations that are presented. City Council can revisit these policy directions to further discuss, confirm, or revise them when considering the City Manager's recommended budget in May and in June. City staff will use the preliminary policy direction provided by City Council

on these issues to prepare the recommended budget for City Council consideration.

With this approach in mind, the City Manager is recommending that the City Council take the following actions in order to provide preliminary policy direction regarding the 10-Year Capital Projects Plan. By taking these actions, the City Council is not adopting the FY 2003/2004 10-Year Capital Projects Plan at this time. This action will be taken in June when Council considers and adopts the FY 2003/2004 budget. Rather, by taking these actions, Council will provide preliminary policy direction that staff can incorporate into the recommended 10-Year Plan.

It is recommended that the City Council provide the following preliminary policy direction:

1. Accept the proposed revisions to the FY 2003/2004 10-Year Capital Projects Plan that
  - retains certain projects at their current funding levels;
  - retains certain projects at a revised funding level;
  - drops certain projects from the 10-Year Plan; and
  - adds a limited number of new capital projects,

as defined in Attachment A to this report entitled "FY 2003/2004 Recommended 10-Year Capital Projects Plan".

In addition, it is also recommended that the amounts programmed in the General Fund and Gas Tax Fund each year for years 11 through 20 of the long-term financial plan be reduced to \$250,000 in the former and \$200,000 in the latter.
2. Accept the recommendation to use Plaza "B" Project option to construction the downtown plaza park, as described in this report.
3. Accept the recommendation that the 10-Year Capital Projects Plan reflect a total of \$1.1 million for one-time capital costs for the animal sheltering facility. Operating costs would be \$151,000 for FY 2003/2004 through FY 2005/2006; operating costs would increase to \$324,000 for FY 2006/2007, and fall to \$251,000 for FY 2007/2008, to meet the City's long-term animal sheltering service needs, as described in this report.
4. Accept the recommendation that the City continue funding for Human Services Groups including Junior Achievement, but at reduced levels. It is recommended that the total annual funding allocation be reduced by 25%. In addition, for long-term budgeting purposes, this total allocation should remain constant, rather than being increased annually by the estimated consumer price increase.

5. Accept the recommendation that the Mary Avenue Route 280 Bicycle Footbridge project be dropped from the 10-Year Plan, for the reasons described in this report.
6. Accept the recommendation that the Sunnyvale Historical Museum project is retained in the 10-Year Plan, and funded only if the state funding is provided.
7. Accept the recommendation that the Morse Avenue Neighborhood Park project be deleted from the plan and the Fair Oaks Industrial Park be retained as a General Fund asset.

### **Summary**

The 6-Point Plan of Action represents the City's response to a very fluid, changing budget crisis. Because of the changing financial and fiscal situation, the 6-Point Plan is a "work-in-progress". City staff is regularly examining revenue flows into the budget, watching departmental spending patterns, and monitoring actions at the state level that may affect our revenues. This new information will be reflected as we continue to examine, develop, and implement the six budget strategies.

It is also important to restate several points. The preliminary policy directions that City council will provide regarding the 10-Year Capital Projects Plan will allow staff to incorporate revisions to the plan in the City Manager's recommended budget. City Council will be able to review, confirm, or revise these decisions as it considers the recommended budget in May at the budget workshop and in June at the public hearing and budget adoption. Finally, the recommended \$20 million in one-time and \$6.9 million in on-going savings, when reflected in the long-term financial plan, represent significant steps towards meeting the FY 2003/2004 spending reduction goal, and towards closing the overall \$11 million gap in the General Fund. The more we can close this gap through revisions to the capital plan, changes in rental fees, in-lieu fees, inter-fund transfers, managing staff vacancies as they occur, and fee, charges and tax increases, the less we will need to reduce the size of City government in Sunnyvale.

### **Attachments**

- A. FY 2003/2004 Recommended 10-Year Capital Projects Plan
- B. Downtown Plaza memo, from Robert Paternoster, Marvin Rose and Robert Walker, dated February 21, 2003
- C. "Original" Council Approved Plaza
- D. Plaza Alternative "A"
- E. Plaza Alternative "B"
- F. Plaza Alternative "C"